UNITED
NATIONS

A

General Assembly

Distr.
GENERAL

A/52/7 (Chap. II, Part XI)
2 October 1997

ORIGINAL: ENGLISH

Fifty-second session
Agenda item 116

PROPOSED PROGRAMME BUDGET FOR THE BIENNIUM 1998-1999

First report of the Advisory Committee on Administrative and Budgetary Questions*

PART XI. CAPITAL EXPENDITURES

Section 31. Construction, alteration, improvement and major maintenance

XI.1. Part XI of the proposed programme budget for the biennium 1998-1999 covers section 31, Construction, alteration, improvement and major maintenance, for which an estimate of $35,893,400 is proposed. No extrabudgetary resources are included in this part of the proposed programme budget.

XI.2. Resource requirements under section 31 ($35,893,400) reflect a net resource growth of $5,421,000, or 18.9 per cent, compared with the 1996-1997 revised appropriations. The total of $35,893,400 comprises resource requirements for the following two programmes: (a) alteration and improvement ($13,591,600) and (b) major maintenance ($22,301,800). The net growth of $5,421,000 reflects the combined effect of an increase of $6,333,800 under major maintenance and a decrease of $912,800 under alteration and improvement.

XI.3. The Advisory Committee points out that the proposed requirements of $35.9 million (at 1998-1999 rates) for alteration, improvement and major maintenance, although somewhat higher than the related appropriations for the

* The present document contains part XI of chapter II of the first report of the Advisory Committee on Administrative and Budgetary Questions on the proposed programme budget for the biennium 1998-1999. Chapter I has been issued as Official Records of the General Assembly, Fifty-second Session, Supplement No. 7 (A/52/7). The complete first report will be issued as Official Records of the General Assembly, Fifty-second Session, Supplement No. 7 (A/52/7/Rev.1).

97-36398 (E) 141097

/...

current biennium ($28.6 million), are nominally comparable to the expenditures for these activities during the previous two bienniums: $36.2 million in 1994-1995 and $35.3 million in 1992-1993; in real terms, taking into account inflation, the proposed requirements reflect a decrease in resources for buildings management compared to the 1994-1995 and 1992-1993 bienniums.

XI.4. The Advisory Committee is of the view that it is important that the budget submissions for alteration, improvement and major maintenance be related to some objective standards. The Committee recommends that future budget submissions for alteration, improvement and major maintenance indicate the value of United Nations-owned buildings. The Committee requests that the Secretary-General indicate in future proposed programme budget submissions a comparison between United Nations and industry standards for the cost of maintenance vis-à-vis the value of buildings.

XI.5. As reflected in paragraph 31.2 of the proposed programme budget, the activities relating to buildings management are undertaken at Headquarters by the Buildings Management Service, Office of Conference and Support Services, and outside Headquarters by the Division of Administration at the United Nations Office at Geneva, the Division of Administration and Common Services at the United Nations Office at Vienna, the Division of Administrative Services at the United Nations Office at Nairobi and the divisions of administration at the regional commissions; although buildings management activities are undertaken individually by those units, that portion of resources requiring capital expenditures is included in the present budget section in order to ensure a coordinated and systematic approach to problems of common concern related to facilities management, major maintenance and construction. Furthermore, as indicated in paragraph 31.3 of the proposed programme budget, one of the objectives of buildings management is to plan, in particular for offices away from Headquarters, new facilities and technical installations required for intergovernmental and inter-agency meetings and conferences.

XI.6. At the same time, the Advisory Committee notes that Headquarters will no longer provide an integrated and coordinated management policy and guidelines on space and master development plans to locations outside Headquarters, services previously provided by the Overseas Property Management and Construction Unit (see para. 31.2 of the proposed programme budget). Moreover, the Committee recalls that in paragraph XI.21 of its first report on the proposed programme budget for the biennium 1996-1997,[1] the Committee enquired into the role of Headquarters vis-à-vis offices away from Headquarters with regard to the coordination of building maintenance policies and requested the Secretary-General to clarify the matter in his next budget submission. The Committee notes with concern that this request was not addressed in the budget submission. The Committee was informed, upon enquiry, that the Unit had originally been established at the time of active construction activity within the Organization and had provided considerable assistance, including staff resources. However, in view of the completion of the construction projects at Bangkok and Addis Ababa, temporary resources associated with the Unit have been proposed for release during the biennium 1998-1999. Within existing resources, the Buildings Management Service may provide limited guidance, however not at the level previously rendered by the Unit. In this connection, the Committee points out that it considers it very important that Headquarters continue to play, during the biennium 1998-1999, a central role on issues of maintenance of buildings owned by the United Nations, of which many, because of age, will require major maintenance.

XI.7. All staff requirements relating to the implementation of the activities programmed under part XI are included under section 27, Administrative services. The budget proposal under section 27 provides, inter alia, for the abolition at Headquarters of 18 posts in the Trades and Crafts category and one P-5 and seven General Service posts; the P-5 post and one of the General Service posts are temporary posts formerly performing the functions related to overseas property management, including oversight of the construction projects at Bangkok and Addis Ababa. The Advisory Committee was informed that the abolition of the Trades and Crafts posts is the result of greater reliance on outsourcing. On the question of outsourcing, the Committee refers to its comments in paragraph VIII.72 of the present report on the need to establish criteria to determine services to be contracted out. The Committee also recalls the comments of the Office of Internal Oversight Services in its report on the review of outsourcing practices at the United Nations (A/51/804) on the need to conduct a cost-benefit study on the subject. The Committee stresses the need for resorting to outsourcing only on the basis of a thorough cost-benefit analysis and with due regard to considerations of security and safety at United Nations buildings; moreover, in order to ensure and enhance the institutional memory in the area of buildings management, a proper balance should be maintained between staff on permanent contracts and those who hold other types of appointment with the Organization.

XI.8. The Advisory Committee notes from paragraph 31.6 of the proposed programme budget that a number of projects proposed for 1998-1999 are either projects that were already approved by the General Assembly but were deferred owing to the need to undertake other unforeseen emergency projects, or are a continuation of previously approved multi-year projects. Table 31.3 of the proposed programme budget provides, as requested by the Committee, information on the status of projects proposed for 1998-1999; as can be seen from the table the estimated cost of projects deferred from prior periods amounts to $1.5 million in alterations/improvements and $3.5 million in major maintenance. In response to its enquiry, the Committee was informed that the main reason for the deferral was the need to reduce spending during the biennium.

XI.9. The Advisory Committee recalls, in this connection, that it had, in the past, expressed concern about the high proportion of projects deferred from the previous biennium in the total proposed requirements for alterations/ improvements and major maintenance. The Committee points out that the deferral of approved projects in alterations/improvements and major maintenance, although resulting in reduced spending during the current biennium, does not necessarily generate "real" savings for the Organization; on the contrary, the more time that is lost for the completion of such projects, the more expensive they may become. Therefore, the Committee does not endorse the practice of the deferral of projects in alterations/improvements and major maintenance in the interest of reducing spending per se or showing apparent savings, nor does it approve of the tendency of resorting to funds approved for such projects in order to finance other activities.

XI.10. The Advisory Committee recalls that in its first report on the proposed programme budget for the biennium 1996-1997 it requested the Secretary-General to clarify to what extent the current mechanism of programme support costs charged to extrabudgetary funds provided an adequate recovery of expenditures incurred by the Organization in maintaining buildings in which space was provided to staff funded from extrabudgetary sources, and to propose, if required, the necessary changes to the current cost-recovery mechanism in the context of his next budget submission. The Committee notes with concern that this request was not addressed in the budget submission.

XI.11. The Advisory Committee was informed, upon request, that the Secretary-General is of the view that the fundamental requirements to enable the Organization to exist and to exercise its functions and powers within the scope of the Charter should be covered under the regular budget; capital expenditures for maintaining the land and structures of the Organization remain the collective responsibility of Member States and financing of such activities should be borne by the Members of the United Nations as apportioned by the General Assembly. Moreover, the Secretary-General is of the view that programme support funds continue to provide for backstopping expenditures, inter alia, rental of space occupied by staff funded from extrabudgetary sources. The use of programme support funds is not considered appropriate for major maintenance and alteration and improvement projects of the Organization's capital assets based on the similar rationale applied in those cases where space is rented by the United Nations, but any of the costs related to works to the structure, particularly as it impacts on the value of the property, remains the responsibility of the owners of the premises. The Committee has no objection to the above; indeed, its concern was related solely to the need to charge extrabudgetary funds a fair share of the costs for accommodating extrabudgetary staff; this should take into account, inter alia, the cost of maintenance.

XI.12. In connection with the proposed requirements of $39,100 and $232,700 for fees for architects and construction and engineering consultants for the United Nations Office at Geneva, the Committee recommends that all such requirements be justified in future budget submissions in terms of specific projects to be undertaken with the assistance of consultants and the time to be spent by them on each such project.

XI.13. While not recommending reductions to the estimated requirements proposed by the Secretary-General under section 31, the Advisory Committee trusts that every effort will be made to implement projects in buildings management with maximum efficiency. Furthermore, the Committee requests that measures be taken to allow for the provision of adequate conference services and related facilities throughout the year. The Committee also requests the Secretary-General to include in his final performance reports detailed information on the status of implementation of all projects in buildings management approved for the biennium.

Notes

[1] Official Records of the General Assembly, Fiftieth Session, Supplement No. 7 and corrigendum (A/50/7 and Corr.1).